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INFO RHEBAAA/DEPT OF ENERGY WASHDC PRIORITY  
RUEHZM/GULF COOPERATION COUNCIL COLLECTIVE

C O N F I D E N T I A L KUWAIT 000163

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STATE FOR EB/ESC/IEC, NEA/ARP, DOE FOR HART

E.O. 12958: DECL: 01/30/2017  
TAGS: [EPET](#) [EINV](#) [PREL](#) [KU](#) [SA](#) [OIL](#) [SECTOR](#)  
SUBJECT: CHEVRON ADVOCACY LETTER FROM SECRETARY BODMAN;  
STILL NO ACTION ON DIVIDED ZONE REFINERY

REF: A. BODMAN LTR TO ENERGY MINISTER DTD 11 JAN 2007  
[1](#)B. 06 KUWAIT 4147

Classified By: Charge d'Affaires Matt Tueller for reasons 1.4 (b) and (d).

[1](#)1. (C/NF) On 24 January, post faxed a scanned copy of Energy Secretary Bodman's advocacy letter on behalf of Chevron (ref A) to Kuwait Energy Minister Shaykh Ali Jarrah Al-Sabah. Econcouns spoke with the minister's office director to request that the letter be brought to the attention of the minister, who was out of the country. Post also hand-delivered the signed original, once received, to the minister's office on 31 January where it was received by Assistant Under Secretary of Energy Dr. Mamdouh Al-Enezi. Al-Enezi said the letter will immediately be brought to the minister's attention upon his return from travel on 4 February. Post will report substantive response septel. Econcouns also informed Bryan Tucker, Assistant to the President of Saudi Arabian Texaco, that the letter had been delivered.

[1](#)2. (C/NF) At present, there seems to be little danger of Kuwait National Petroleum Company (KNPC) beginning construction of the proposed refinery next to Saudi Arabian Texaco's (Chevron's) Divided Zone compound any time in the next few months. In a 14 January meeting with the Ambassador (septel), Kuwait Oil Company Chief Executive Farouk Al-Zanki acknowledged that the refinery project has reached an impasse and will need to be re-tendered on a different, probably "cost-plus," basis in order to attract viable bids. Al-Zanki noted that the proposed site of the refinery remains controversial.

[1](#)3. (C/NF) According to local media reports in mid-January, KNPC refinery project manager Ahmed Al-Jimaz said the tender for the refinery would have to be reconsidered since the bids received were too high. He said the project was budgeted at 6.3 billion USD, but the bids came in at approximately 15 billion USD. JP Zacaropoulos, General Manager of Fluor-Kuwait, which is acting as the ministry's consultant on the project, told Econoff that the ministry will need to revise the terms and conditions of the contract, especially with regard to liability, in order for the qualified contractors to reduce their bids. On 31 January, KNPC announced that it was meeting with bidders in London in an effort to persuade them to reconsider their bids to allow KNPC to award the contract without re-tendering, a process which could take an additional four to five months. However, given the current state of the energy market in the region, Zacaropoulos considers it unlikely that KNPC will be able to obtain an affordable bid without re-tendering.

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